DR. Y. LAKSHMI PRASAD (Andhra Pradesh): What is this? This is Question Hour. ...*(Interruptions)*

श्री एस. एस. अहलुवालिया (**बिहार**): राजीव गांधी के हत्यारों को बाहर निकालो ...(**व्यवधान**)...

SHRI. V.P. DURAISAMY (Tamil 'Nadu): This.is Question Hour, Sir. How Is he ... *(Interruptions)* ".

. SHRI S.S. AHLUWALIA? This is not Question Hour., ... *(Interruptions)*

SHRI SURESH PACHOURI (Madhya Pradesh): There- is no Question Hour today.

DR. Y. LAKSHMI PRASAD: How is he raising it during Question Hour?

SHRI SURESH PACHOURI: He has been allowed by the Chair. ...*(Interruptions)*

श्री सैयद सिब्ते रजी: ऐसी परिस्थिति में उसको काम करने का कोई मौलिक अधिकार नहीं है।...(**व्यवधान**)...

†**सैयद सिब्त रज़ी:** ایسی پرستھتی میں اس کو کام کرنے ک ا کوئی مولیک ادھیکار نہیں ہے.....مداخلت.....

SHRI S.S. AHLUWALIA: D.M.K. is a ...*(Interruptions)*....

श्री सैयद सिब्ते रजी: ऐसी परिस्थिति में इस पार्टी को सरकार में बैठे रहने का कोई अधिकार नहीं है...(**व्यवधान**)...

†**सैयद सिब्त रज़ी:** ایسی استھتی میں اس پارٹی کو سرکار میں بیٹھے رہنے کا کوئی ادھیکار نہیں ہے.....مداخلت.....

SHRI S.S. AHLUWALIA: D.M.K. is a ... *(Interruptions)*

श्री सैयद सिब्ते रजी: इसके पीछे बहुत बड़ी साजिश है।...(**व्यवधान**)... ऐसी सरकार...

†**सैयद सिब्त रज़ी:** اسکے پیچھے بہت بڑی سازش ہے.....مداخلت.....ایسی سرکار..

WRITTEN ANSWERS TO STARRED QUESTIONS

Administered Price System for Petroleum Products

*41. DR. MANMOHAN SINGH: Will the Minister of, PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Government have worked out a plan to dismantle the administered price system regarding petroleum products;

(b) if so, the details thereof; and

(c) what will be its impact on prices and investment in this sector?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI JANESHWAR MISHRA): (a) to (c) A statement is laid in the table of the House.

Statement

The Government had appointed a Strategic Planning Group on Restructuring of the Oil Industry ('R' Group) comprising of eminent expert from the Public Sector & Private Sector, distinguished Energy Experts and academicians to make recommendations to meet the policy objectives and initiatives required for restructuring the oil industry. The Government had earlier decided on 1.9.97 to dismantle APM by introducing reforms in a phased manner based on the recommendations of the 'R' Group.

The Government has now decided the details of phasing of dismantling programme of administered pricing mechanism and the duty structure for the terminal year i.e. 2001-02, after taking into

account the recommendations of Expert Technical Group that was earlier constituted for this purpose. The details are given below.

(a) Dismantling of APM in the petroleum sector in phases as per sequence given in statement I *(See* below) starting from 1998-99.

(b) Cost-plus formula is withdrawn for indigenous crude oil producers, the price receivable by oil producers will be increased to international levels in a phased manner by paying a pre-announced increasing percentage of weighted average FOB price of actual imports of crude oil during the transition period.

(c) The system of retention pricing is being abolished for all (existing and new) refineries and pricing of petroleum products at the refinery gate level will move towards import parity, however, Refinery Gate prices of controlled products viz MS, HSD, SKO, LPG and ATF will be fixed at "adjusted import parity" prices for the existing refineries during the transition period, all other products will be sold by the refineries at market, driven prices.

(d) Consumer prices of major petroleum products will be moved to, market prices, price of HSD will be fixed on the principle of import parity pricing upto ex-storage point level with immediate effect, and prices of other major products, viz. LPG, ATF, SKO and MS, will be moved towards principle of import parity in a phased manner and pricing of Paraffin-Wax, Bitumen, Naphtha, FO and LSHS will be decontrolled.

(e) The transition period will be utilised for servicing and amortising the Oil Bonds worth Rs. 18,200 crores, proposed to be issued by the Government to the Oil companies, the price of crude and petroleum products as mentioned above will be fixed by OCC with enhanced autonomous powers.

(f) Imports and exports of all pet roleum products, except crude (slop crude and crude condensate), NGL, ATF, MS and HSD will be decanalised during the transition period, however, sourcing and import of crude will be allowed to joint and private sector refineries under actu al user licensing.

(g) Duties on crude and petroleum products for the terminal year i.e. 2001-02 will be as given in statement-II *(See* below)

(h) Investments in the refining sector will be encouraged by providing reasonable tariff protection and making marketing rights for transportation fuels viz MS, HSD and ATF conditional on owning and operating refineries with an investment of at least Rs. 2000 crores or oil exploration and production companies producing at least Jhree million tonnes of crude oil annually.

(i) Cost-plus formula for shipping of crude oil is withdrawn and the rates will move towards market related rates.

0) Freight subsidy on supplies to far-flung areas will be met through the fiscal budget and

(k) To establish a regulatory framework to oversee the functioning of and enforcing & com-petiti/e framework in the Hydrocarbon Sector.

According to a study made by NCAER, implementation of these measures v/ould result in overall WI'I inflation of 1.57% in five years on a cumulative basis.

Statcmcnt-I

Phased Programme of Reforms

Particulars	Model
Transition Phase	4 Years
Year 1 (1998-1999)	
(i) Removal of cost plus formula and payment to crude producers as percentage of weighted average FOB price of actual imports	75 per cent
(ii) Products to be controlled during transition period.	MS, HSD, Kerosene, ATF and LPG
(iii) Withdrawal of retention margin concept for the refineries and refinery gate prices for controlled products	Adjusted import parity prices to existing refineries and tartiff adjusted import parity prices to new refineries.
(iv) Products to be decontrolled	Naphtha, FO, LSHS, Bitumen, Paraffin wax
(v) Exim Policy	Decanalisation of importyexports of all petroleum products except crude (slop crude and crude condensate), NGL, ATF, MS and HSD
(vi) Sourcing of crude	Sourcing of crude to be liberalised and import to be allowed for joint and private sector refineries under actual user licence
(vii) Customs duties	Rationalisation done in a phased manner
(viii) Increase in prices of: Kerosene	30 per cent of existing cx-storage point price
LPG	33 per cent of subsidy passed on.
(ix) Freight and other under recoveries	33 per cent to be passed on, in an equated manner
(x) Shipping of crude oil	Withdrawal of cost plus formula for shipping of crude oil and move towards market related rates.
Year 2 (1999-2000)	
(i) Payment to crude producers as percentage of weighted average of FOB	77.5 per cent
(ii) Increase in prices of: Kerosene	30 per cent of revised ex-storage point price at the end of year 1
LPG	A further 33 per cent of subsidy to be passed on
(iii) Freight and other under—recoveries	A further 33 per cent to be passed on, in an equaltcd manner

Partitulars	Model
Transition Phase	*A* Years
(iv) Rationalisation of duties	To continue
Year 3 (2000-01)	
(i) Payment to crude producers as percentage of weighted average FOB price	80 per cent
(ii) ATF	Deregulation of. imports and pricing
(iii) Increase in prices of: Kerosene	20 per cent of the revised cx-storagc point price at the beginning of the year
LPG	Suitable adjustment in prices to reach subsidy level at 15% of import parity
iv) Freight and other under—recoveries	Balance subsidy to be passed on, in an equated manner
Year 4 (2001-2002)	
i) Payment of crude producers as percentage of weighted average FOB price	82.5%
ii) Increase in prices of: Kerosene	Suitable adjustment in prices to reach subsidy level at 33.33% of the import parity.
2002 onwards	Full Deregulation
	Transfer of subsidy on SKO (PDS) and LPG to the fiscal budget of the Government.

Statctncnt-II

Duty Structure for 2001-02

(per cent)

Customs duty	Existing	Proposed
	97-98	01-02
Crude	27	0 to 5
HSD/LDO	32	15
MS	32	15
ATF	32	15
LPG	12	10
LNG	12	0 to 5
FO/LSHS	32	10
Naphtha/NGL	0	5
Kerosene	0	0
Bitumen	32	15
Others	32	15

Excise duty	Existing	Proposed
	97-98	01-02
MS	20	165
LPG	. 10	10
LNG	10	10
FO, Naphtha and LSHS-General use	15	15
FO, Naphtha and LSHS-Fertilisers	0	0
Kerosene	10	10
HSD/LDO	15	15
ATF	15	40
Bitumen	15	15
Others	15	15

Inclusive of surcharge